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# The AMERICAN OBSERVER

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Madison*



VOLUME III, NUMBER 31

WASHINGTON, D. C.

APRIL 16, 1934

## War Causes Seen in Neutrality Doctrine

Our Insistence on Trade Rights With Belligerents in 1914 Helped Involve Us in Conflict

### REVISION OF POLICY URGED

Held That Unless We Change Attitude Future Trouble Must be Expected

Seventeen years ago this month the United States joined the World War against Germany and her allies. That experience cost us 126,000 lives, 234,000 wounded and more than \$50,000,000,000. It was a major contributing factor to two economic depressions, the second of which is still affecting us. It worked incalculable changes in our ways and standards of living, and produced a host of problems which are taxing us to the utmost in the search for their solution.

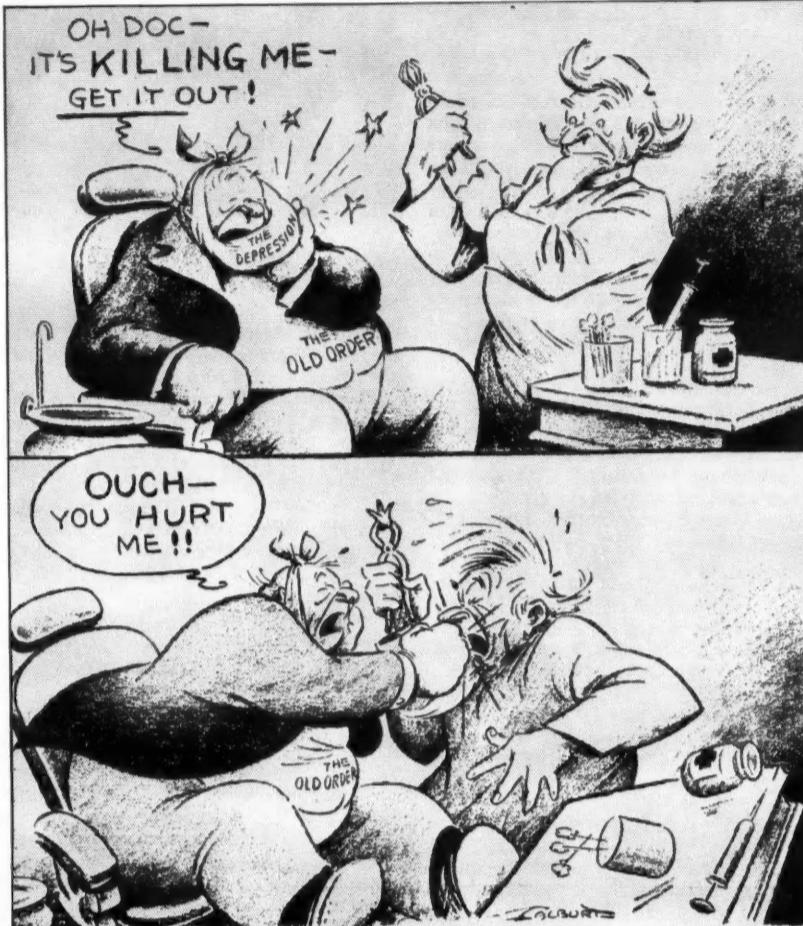
Today, war clouds may again be seen gathering in Europe. It is true that the prospects of a conflict seem less immediate at this moment than they did several months ago, but the seeds of strife have not been uprooted and few will deny that eventually they are likely to bear fruit. The danger of our being drawn into another war, therefore, becomes a matter of concern to all Americans. We should ask ourselves if we have any more reason to believe now that we can stay out of war than we did in 1914. When the World War broke out we were as determined to remain peaceful as we are today. Yet, in a little more than two years' time we forgot our resolution and on April 6, 1917 (the date of our declaration of war) there was frenzied eagerness to enter the fight against Germany.

#### Why Did We Fight?

The question which interests us now is, Would history repeat itself in the event of another conflict? Most of us will hasten to give an emphatic no. But before we accept this reply as final let us ask ourselves several other questions. Why did we fight in 1917? Were the conditions which led us into war cured by the defeat of Germany? If they were not, can anything be done to prevent their cropping up again in the future? By answering these questions we shall be better able to judge as to the possibility of remaining out of another war.

There was of course no single reason for our decision to fight in 1917. Our motives sprang from different sources. There was, for one thing, a feeling of anger toward Germany for her ruthless attack on little Belgium. As always, we wanted to side with the underdog. There was also a natural feeling of sympathy for Great Britain. We spoke the same language and had many of the same traditions. The Germans were more alien to us. Then there were the stories of German atrocities, of the murder and mutilation of little children, chiefly Belgians. (These stories were later totally disproved and were spread for purposes of propaganda by the allies. True, the Germans did the same thing and accused their enemies of atrocities, but they were not believed while the allies were). Likewise, the blundering of German diplomats widened instead of healed the

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—Talbert in Washington News

## What the Schools Cannot Do

A young man who is now finishing his college course came to the editor of THE AMERICAN OBSERVER not long ago for advice relative to his preparation for a career. He wishes to be a journalist and he is canvassing the situation carefully to determine the best and surest steps which may be taken in that direction. In particular he is anxious to find the most suitable school of journalism so that his preparation may be adequate.

This particular senior is a very promising young man. He is intelligent, thoughtful, ambitious. But he is a victim of a very widespread misconception of the influences which educational institutions may exert. He depends too completely upon the professional school to give him the equipment he needs for his chosen work. The fact came out upon questioning that he is making no definite efforts to widen the range of his interests or to gain a broad understanding of social, economic and political facts. He is not, of his own initiative, becoming acquainted with the best which journalism has to offer. He is not reading the works of the outstanding editors and authors, nor is he studying the best contemporary periodicals. He has not seen the necessity of acquiring that content in facts and ideas which the successful journalist recognizes as his most essential set of tools.

The error here is not to be charged to this college senior. He has not been told that he, himself, rather than some institution, is to furnish the major part of his preparation. He is doing what thousands of others do. He is taking a passive part in his training, while depending upon an institution to give him what he needs. There is a prevailing notion that if a boy goes to school, the school will somehow transform him into what he should be. According to this theory, one needs but to feed himself into an educational machine and the machine will do the rest. There is an element of pathos in the confidence of parents who save and sacrifice in order that their children may go to school and then to college, in the confidence that the school will do a miraculous work of transformation. Every competent educator knows that this confidence is misplaced. The schools can do much. They can offer an opportunity for the pursuit of learning and truth. But the initiative must be furnished by the student. If he is to succeed in a large way he must engage in an active quest for truth and for training. He must, to a large extent, be self-directing, accepting the school's help, but refusing to be limited by what it offers.

## New Deal Confronts Fundamental Issue

Conservative Groups Train Attacks on Measures of Social Control Now in Force

### CLAIM RECOVERY IS RETARDED

Charges of Communist Activity Used to Discredit Administration

Usually political campaigns in America are fought over trivial issues. In most cases it is hard to discover any important differences between parties and candidates. Big problems do indeed arise in our political life, but they are seldom brought before the public for clearcut decision. It seems probable, however, that a different situation may soon develop in our national politics and that the Roosevelt administration may lock horns with its opponents on one of the most far-reaching issues with which the American people have ever been called upon to deal. It is an issue similar to that which is confronting the peoples of other nations. It relates to the extent to which the government should direct and control industry. Should we go in for a system of national planning with the governmental authorities taking a leading part in determining what and how much we should produce, how our industries should be organized, and what practices they should follow? Would it, on the other hand, be better to go back to the practices which prevailed before the depression? Should we leave individuals relatively free to operate their farms and factories and transportation lines and other agencies of production much as they see fit? If all individuals and all corporations follow their own plans in the pursuit of profits, will competition among them result in a situation which is better for all the people than if the government assumes a greater responsibility for the national well-being?

The historical background against which these questions must be considered is treated on page five of THE AMERICAN OBSERVER in an article by Dr. Harold G. Moulton. We are to consider here some of the facts relative to the controversy as they appear in the news and developments day by day.

#### A Free Hand

It is only within the last month or so that serious and organized opposition has developed to the Roosevelt administration's social control policies. For several months after the president took office he had a free hand. There was little criticism. Those who might have been expected to complain and resist when the government began to tighten its grip upon industries were not disposed to do so for a while. They had to have time to catch their breath. Business was flat on its back when Roosevelt assumed office. Even the great corporations were threatened with bankruptcy. Business leaders, like the rest of the people, were gloomy and despairing. Many of them required loans from the government. They did not see how by their own efforts they could get on their feet. When the administration began the carrying out of its larger policies, which called among other things for the

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# Notes From the News

## Dr. Wirt and the Brain Trust; Reorganizing County Government System; P.W.A. Program to Be Speeded up; Should the United States Enter League?

EVER since President Roosevelt came into office a great deal has been said and written about the so-called "brain trust." Interest in what it is and the part it plays in the Roosevelt administration has become more lively of late as a result of charges made by a prominent educator, Dr. William A. Wirt, that the members of this group are plotting to overthrow President Roosevelt and establish Communism in this country. Dr. Wirt, who is the superintendent of schools in the steel-mill city of Gary, Indiana, claims that members of the "brain trust" told him of their treasonable plans.

The great majority of congressmen, government officials and newspaper writers place little credence in these charges. It is their belief that if the members of the so-called "brain trust" had entertained plans to overthrow democracy in this country they would not have revealed their scheme to an outsider.

However, Dr. Wirt's charges are serious and should be proved or disproved. Henry T. Rainey, speaker of the House, appointed a committee composed of both Democrats and Republicans to question Dr. Wirt. The committee began its investigation last week, and if the plans of House leaders to make the inquiry brief were realized, it will probably be at an end by the time this paper reaches its readers.

### What Is the "Brain Trust"?

There is really no meaning to the term "brain trust." It was invented as a humorous phrase to describe a small group



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RAYMOND O. MOLEY

of men—college professors most of them—who were among the close advisers of the president. Because these men were not professional politicians as presidents' advisers so often are, but were selected on account of their supposed learning; because of their advanced studies in economics and political science, they were called collectively a "brain trust." The assumption was that they were doing the thinking for the administration.

This group of men whom the president consulted very frequently consisted first of Raymond Moley, professor of public law at Columbia, Rexford G. Tugwell, professor of economics in the same institution, and Adolf A. Berle, a lawyer and professor of law at Columbia. The president, of course, had very many other advisers, but these men, and especially Moley, he depended upon to a considerable extent. Professor Moley had had quite a little experience in practical politics, having served on crime commissions. Professor Berle had made an extended study of corporations and understood very well business organization and methods. Professor Tugwell was a theorist who made no pretense of being a politician.

These men are not radicals in the sense that they oppose capitalism or favor Communism, but they are advanced liberals. They stand for many changes and reforms

in our economic and political organizations. They favor a closer relationship between the national government and the people. It is their firm convictions that unless the government continues to work in close cooperation with agriculture and industry, we will drift aimlessly into chaos as we did during the years after 1929. They might best be classified as national planners.

During more recent months the president has depended less definitely upon these three men. Moley, who for a time was assistant secretary of state, holds no official position now, but is editor of the magazine *Today*. When he slipped out of the government picture, the "brain trust," if one wished to call it that, ceased to exist. Tugwell is still assistant secretary of agriculture, and, since Moley's departure from Washington, he is usually placed at the head of the mythical "brain trust," largely because he has not hesitated to express his liberal ideas and beliefs in magazine articles and books. Berle has acted recently as adviser to Mayor LaGuardia of New York City, although he is still active in national affairs. Some others generally included in this group are Henry Wallace, secretary of agriculture; Harold Ickes, secretary of the interior; Felix Frankfurter, professor of law at Harvard, whose liberal interpretation of law reminds one of the "grand old man" of the United States Supreme Court, Justice Louis D. Brandeis; Donald Richberg, counsel to the NRA; to mention only a few.

In conclusion it may be said that President Roosevelt receives advice from many quarters, but it is true that he has more college professors in important governmental positions than any other president has had. He depends for advice to a lesser extent upon professional politicians, big business leaders and lawyers representing business organizations. To a greater extent, though not exclusively by any means, he depends upon men of university training and experience. These men, however, are not now united in any sort of compact group. They do not meet together, and on many points they are in disagreement among themselves just as other officials connected with the government are. Moreover, all close observers know that Mr. Roosevelt, and no one else, makes his own decisions. Under these circumstances, the use of the term "brain trust" becomes not only meaningless but confusing. It would be better if it were entirely forgotten.

### County Reform Plans

It is agreed by most authorities that the form of local, county and town governments in this country is outworn and tremendously expensive to maintain. President Roosevelt has frequently referred to our "ox-cart system" of local governments. The superabundance of township and county organizations runs up the taxpayer's bill, it is contended, and makes for inefficient government. Largely because of the serious financial condition of most mu-



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REXFORD G. TUGWELL



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CEREMONY AT ARLINGTON NATIONAL CEMETERY COMMEMORATING THE 25TH ANNIVERSARY OF PEARY'S DISCOVERY OF THE NORTH POLE.

nicipalities throughout the country, steps toward reforming and consolidating local governments are being taken.

Proposals are pending to reduce the number of counties from 82 to 57 in Mississippi; 144 to 40 in Missouri; 75 to 25 in Arkansas; 120 to 20 in Kentucky; 77 to 20 in Oklahoma; 159 to 41 in Georgia, and 95 to 13 in Tennessee. Oregon and Colorado are also considering plans to reduce the number of their counties.

The only obstacles to this movement, says Mr. Robert M. Paige, secretary of the Governmental Research Association, are false pride and patronage politics.

### The General's Radio

General Johnson's office radio broke down last week. Upon being notified that the general's radio would be brought in for repair, the Columbia Broadcasting System's Washington office assigned one of its best experts to fix it, thinking, of course, that it would probably be an elaborate apparatus. Imagine everybody's surprise when a messenger walked nonchalantly into the office carrying a midget set, belonging to none other than the general himself, and worth about ten or twelve dollars. One of its three tiny tubes refused to function any longer, according to the diagnosis made by the radio office's expert.

### PWA Moves Forward

As one means of preventing a drastic decline in business during the summer months, the government is preparing to push its public works program into full swing. Between June and August, Harold Ickes, public works administrator, predicts that the program will be at its peak. Progress has been slowed down in late months on account of bad weather conditions, but thousands upon thousands of workers will be provided with jobs on this type of construction during the summer, says Mr. Ickes.

### NRA Reorganized

Just before leaving for Miami, presumably to join President Roosevelt, General Hugh S. Johnson announced last week the greatest reorganization of NRA to date. For several weeks the administrator has been studying the results of the recent code conferences and laying plans for adjusting the NRA machinery to its future tasks. The major portion of code-making work has been accomplished. Now the organization will devote most of its efforts to code enforcement and administration of nearly 400 codes which have been completed.

With the present changes in mind, General Johnson has been delegating more and more of his authority to various assistants. This is the principal feature of the new system announced a few days ago. These staff officers will be able to make decisions which formerly had to wait for Johnson's attention. The new administrative staff is headed by Lieut. Col. G. A. Lynch, an infantry officer of the regular army. Colonel Lynch will have power to approve codes, amendments to codes, and other NRA orders. He has been described by General Johnson as "the most advanced thinker in the United States Army."

The "contact man" with industry will be W. Averill Harriman, a close friend of

President Roosevelt and personal assistant to Johnson. Mr. Harriman will handle NRA personnel and make appointments to code authorities. Other NRA officers will share responsibilities which have been concentrated in the chief administrator during previous months.

### League Petition

Newton D. Baker, secretary of war under President Wilson, has signed a petition which urges the United States to state the terms under which it would be willing to join the League of Nations. This petition is being circulated by twenty organizations actively interested in world peace. Its slogan is: "In a world as dark as this, why blow out the only light there is." Part of the petition reads as follows:



NEWTON D. BAKER

Our generation has witnessed the attempt to build a new instrument of social control, a new type of collective machinery, based on the belief that in a world economically and politically interdependent old ideas of isolation must give way to a realistic method of international consultation and teamwork. . . . In this moment of nationalist reaction we need to be reminded that it takes faith and patience to develop a community of the nations of the world. No new social institution is ever born to its maximum strength or has gone forward without occasional threats of a return to the old order. The cause of the League of Nations today is more vital than at any time since its founding.

In signing this petition, Mr. Baker is once again manifesting his faith in President Wilson's creation, the League of Nations. He has never given up hope that some day Wilson's dream will be realized and we shall become a member of the League.

In recent months there has been considerable discussion about the possibility of revising the League constitution. The fact is that the League has failed to solve disputes between nations. Japan withdrew from the League when an effort was made to have her restore Manchuria to China. Germany also withdrew when other nations were unwilling to grant her armament demands. This proves, it is said, that the League cannot impose its decisions upon nations. For this reason the constitution should be modified. The League should act only as a meeting place for the discussion of problems and, in general, should do no more than attempt to promote cooperation among nations. If such changes were made many believe that this country would consent to join.

### Robert Edwin Peary

April 6 marked the 25th anniversary of the discovery of the North Pole. It was back in 1909 that Robert Edwin Peary, accompanied by Matt Henson, a Negro, and four eskimos, reached the North Pole. Several times during his lifetime, Peary led expeditions to extreme northern regions. It was his discovery of the North Pole, however, that brought him world fame. He died in the nation's capital in 1920.

# AROUND THE WORLD

**Geneva:** France and Great Britain seem to be nearing an agreement on the armaments problem. At least they are optimistic, for the bureau of the disarmament conference, which met for the first time in five months on April 10, was expected to call a meeting of the general or full session for the latter part of May. In the intervening period the French and British will continue the discussions which have assumed such a promising aspect during the last few weeks. The indications are now that the two countries will come to terms on an arms limitation convention which would recognize German rearmament and at the same time provide France with guarantees of security. It is said that Britain has changed her attitude and is now willing to promise that if a nation violates the arms convention she will join in an economic or diplomatic boycott against the violator. The French would like a pledge of military action but it is likely that they could be satisfied with less. They would moreover be assured of a degree of American co-operation. Last May our government declared that it would not interfere with collective action against an aggressor, if, in its judgment such action was justified. Thus, the prospect for a solution of the armaments problem is brighter than it has been for many months.

\* \* \*

**France:** Premier Doumergue is making a strenuous attempt to balance the French budget. On April 4 he issued a drastic decree retiring 85,700 government employees from service and reducing the salaries of all others from the president down. Immediately afterward he began preparation of another decree cutting the compensation of war veterans. These two economies will make up the bulk of the 4,000,000 francs needed to balance the budget. At the same time he was planning a comprehensive program of public works to reduce unemployment and increase purchasing power. By this kind of decisive action the French premier hopes to curb the threat of civil war. He may be successful, but to balance the budget he is having to run counter to the interests of two powerfully organized classes of people—the civil service employees and the veterans. The former number around 800,000 and threatened to strike when a reduction of more than ten per cent in their ranks was announced. Doumergue, however, outmaneuvered the employees by making an appeal to them for support and warning them that the only other recourse

was inflation, which few in France want. The strike was not called and Doumergue won the first skirmish. He was to meet a more severe test, however, when he announced the cuts for the veterans, whose organized strength is 3,000,000.

Bit by bit the story of the February 6 rioting, which claimed a score of lives and nearly upset French democracy, is coming out. Edouard Daladier, Radical-Socialist leader and premier when the riots broke out, recently issued his first statement since the disturbances took place. M. Daladier said that Fascist organizations, after more than a month of careful preparation, joined together in an attempt to capture the Chamber of Deputies and force a dictatorship on France. They were careful, however, to stand aside and let the mob battle with police.

The United Press reports that 500,000 spies are footloose in Europe and are worrying the various governments no end. "A half million overjeweled, glittering beauties and steely-eyed, silent men are hard at work in the espionage industry," reads the dispatch. "There are spies and superspies, spies who spy on other spies, and, closing their ranks, thousands of secret service agents who wage unrelenting war on this under-cover gentry." Recently the so-called "International Syndicate" was broken up by French police. Its activities were said to touch France, England, the United States, Germany, Finland, Russia and Japan. The syndicate would undertake any job of spying for governments or industrial groups. Two Americans, Robert and Marjory Switz, arrested in Paris some weeks ago, were implicated.

\* \* \*

**Japan:** Leading Japanese industrialists seem to be coming around to the view that Japan's policy of flooding world markets with cheap exports is unwise. They fear growth of the movement among foreign nations to restrict their purchases of Japanese goods in retaliation to Japan's dumping. It would be saner, the industrialists say, to embark upon a program of controlled export trade which would include the negotiation of conciliatory trade agreements with foreign nations.

\* \* \*

**Germany:** Is the financial and economic system of Germany about to crash? Reports are trickling out of Berlin to the effect that during the next few weeks or months Hitler is slated to meet a more difficult test than any which has confronted him to date. It is well established that his

economic program has failed to bring results so far and it is now hinted that unless there is prompt change for the better Hitler will have difficulty in retaining his strong hold upon the country. Early this month the chancellor left Berlin for a rest in the mountains. He was reported to be nervous, irritated and dejected. Of course, all this may be propaganda to discredit the Hitler government. But the known facts with regard to Germany's economic status tend to bear out the conclusion that extremely critical days are in the offing for Germany.

\* \* \*

**China:** Unless the Nanking government is willing to come to an agreement with Japan on issues arising out of that country's seizure of Manchuria, the renewal of the military campaign in north China may develop. This is the construction which has been placed on the massing of Japanese and Manchukuoan troops on the Jehol frontier which separates Manchukuo and China. Some months ago the Chinese broke off negotiations with the Japanese and such problems as through railroad traffic from Peiping to Mukden (Manchukuo) and postal connections between China and Manchukuo are pressing for solution. The Japanese are now apparently preparing to exert pressure on the Chinese government. If this is true it helps to explain an official dispatch from China to the League of Nations, delivered recently by Dr. V. K. Wellington Koo, Chinese delegate to Geneva. The Chinese, it is reported, charge that Japan is planning to seize Peiping and bring north China into Manchukuo. Emperor Kang Teh, now at Hsinking, the capital of Manchukuo, would be moved to Peiping. It is not, of course, certain, that Japan has any such scheme in mind. More plausible is the interpretation that she is applying pressure on China to wind up the negotiations and accept the loss of Manchuria, and that China is using the only weapon she has to fight back—appeal to the western nations. If China does not yield, however, action may follow. The Peiping *Chronicle* recently reported that more than 100 Japanese military officers were preparing to "get acquainted" with the chief strategical centers of North China.

\* \* \*

**Manchukuo:** German industrialists have signed a contract with the South Manchuria Railway Company, Japanese owned railway in Manchukuo, for the sale of \$915,000 to \$1,220,000 worth of railroad supplies. Some time ago French interests concluded a trade agreement with the South Manchuria railway and it was suggested at the time that some western nations were considering recognition of Manchukuo. It comes out now that the Germans are understood to have offered an agreement whereby German machinery could be exchanged for Manchukuoan soy beans, and that the offer was accompanied by the hint that recognition of Manchukuo would be forthcoming. The agreement was not concluded, however, because the Germans would not accept the stipulation that they should not resell the beans to other countries.

\* \* \*

**Spain:** The government in Madrid is anxious to give the impression that Spain is a safe country for tourists despite the severe labor agitation which has been taking place in the country. Recently the decree declaring a "state of alarm" (a form of martial law), which had been in force for some time, was lifted. The radical elements, which lost control in the last election, had charged that the conserva-

tives were using the "state of alarm" as a veil for dictatorship.

\* \* \*

**U.S.S.R.:** The American Congress has passed a bill forbidding private or public loans to foreign governments in default on their debts to the United States. This action was directed mainly against countries which have not paid up their war debts, but it also includes the Soviets, who have never admitted responsibility for the debts of the Czarist and Kerensky governments to the United States. If the president signs the bill it appears that Soviet purchases in America will cease since they cannot be made without long-term credits. Some time ago provision for an Export-Import Bank was made by the Roosevelt



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NEW ITALIAN DESTROYER LAUNCHED  
Looking up at the prow of the Italian destroyer *Spica* as it slid down the ways at Naples recently.

administration for the primary purpose of financing Soviet-American trade. But it may not even be established, in view of the serious obstacle which will be placed in its path if Mr. Roosevelt approves the bill.

## NEUTRAL RIGHTS

(Continued from page 6, column 4)

might even follow Denmark's example and forbid our citizens "to take service in the armed forces of any belligerent."

The enactment of legislation as suggested by Mr. Warren would not, it is true, solve all our problems. But it would reduce the number of occasions for dispute with belligerents. It would guard against the repetition of many incidents which clouded our relations with both England and Germany from 1914 to 1917.

### Rights or Privileges?

More important than the foregoing points, however, is one which does not involve legislation. Our chief trouble before the war broke out arose from our insisting on what we held to be our neutral rights to trade with belligerents. But it must be borne in mind that these are "rights" only in name. They have no real legal basis and are applicable only if other nations are willing to observe them or if we are prepared to uphold them by force. The various contentions with regard to our "rights" which we made before we entered the war, were never conceded by any belligerent and are not conceded today. When we talk of "rights" therefore, we really mean policies which we seek to maintain but which other nations are not always willing to recognize.

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THE DUTCH DOWAGER QUEEN IS BURIED  
Thousands of spectators crowded roofs and windows in The Hague recently as the funeral procession of former Queen Emma, mother of Queen Wilhelmina, passed by.

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A Weekly Review of Social Thought and Action



Published weekly throughout the year (except two issues in December) by the CRIC EDUCATION SERVICE, 744 Jackson Place, Washington, D. C.

Subscription price, single copy, \$3 a calendar year. In clubs for class use, \$1 per school year or 50 cents per semester.

Entered as second-class matter Sept. 15, 1931, at the Post Office at Washington, D. C., under the Act of March 3, 1879.

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VOL. III MONDAY, APRIL 16, 1934 NO. 31

### DANGEROUS IGNORANCE

The New York *Post* conducted a survey recently to determine how well informed citizens in general are concerning facts and problems relative to state government. The results of this inquiry, recently published, are disquieting. Of 2,500 citizens who were questioned, fewer than one in fifty knew the numbers of their legislative districts and the names of their representatives in the state assembly. Only one-fifth possessed any information at all relative either to legislative districts or to representatives. Even more serious is the revelation that two-thirds of the citizens who were questioned had never heard of the economy bill, a very important piece of legislation which was then being debated in the state assembly and which was being given prominent headlines in all the newspapers. Inquiries of a similar nature have been conducted elsewhere with like results. It is apparent that the majority of our citizens pay no attention to those facts of the public life with which they must be acquainted if they are to exercise at all intelligently the privileges of democratic citizenship.

This lack of information on the part of great numbers of our citizens creates a really dangerous situation. Without information a citizen cannot weigh evidence. He is likely to become the tool of self-seekers and demagogues because, in making their appeals for support, they go to great lengths to deceive the unthinking, whereas honest, intelligent and public-spirited leaders are likely to state their cases fairly and logically. They are inclined to appeal to informed and thinking people. The result is that the trickster has a decided advantage when the decision must be made by those who are politically ignorant.

This state of things accounts for the fact that corrupt bosses are enthroned in many of our cities, that state and county government is notoriously inefficient, and that even our national leaders cater too often to small groups selfishly pursuing their own interests. That is why we have so little consistent progress. That is why it is almost impossible for any government to adopt policies which the best thinkers of the nation consider essential.

Because so many people who are intelligent enough to be good citizens do not exercise their intelligence in that direction, conditions are allowed to continue which make permanent prosperity impossible. Consequently our economic system must remain disordered, depressions must continue, men must walk the streets vainly pleading for jobs and children must cry for bread. Because of the inattention of intelligent citizens to the problems of government, vice and crime stalk through the land and in a thou-



WONDER JUST WHAT HE WILL LOOK LIKE WHEN THEY TAKE OFF THE BANDAGES.

—Ray in Kansas City STAR

sand ways we fail to realize the finest promises of American life.

This is a problem which comes home to every well-intentioned citizen. Each may ask himself the question: What am I doing to encourage the spread of information? What am I doing to encourage the development of sound opinion? To each educator the question comes directly home. Each may ask himself the question: Am I satisfied to pursue and impart learning of the conventional sort? Am I doing all that I can to make the school a place where the young citizens are brought into contact with the realities of the economic and political life? This is indeed a grave responsibility, for in a society where the individuals are so dependent upon each other, where their welfare depends so largely upon the acts of government, inattention to the problems of government becomes not only a gross neglect but a gross immorality; and a school which turns out graduates unacquainted with the facts of public life is inexcusably callous to its most sacred obligations.

### The Conservative Position

In connection with the article on page one of this issue, which describes the growing political battle between conservative and liberal factions, the following editorial comment by the New York *Herald-Tribune* is valuable for its clarity and concreteness. This newspaper is Republican and conservative. It does not favor the New Deal. The sections quoted below explain some of the reasons for that viewpoint, and give a series of recommendations which summarize the ideas and ideals of the administration's opponents:

Here is the main trouble with the administration's policies, the main source of present alarm. In place of a clearly thought out plan there has been a succession of unrelated and hastily devised remedies, often mutually contradictory. The president announced an era of experiment, but he gave no warning of the bedlam of quarreling nostrums which he has hurriedly installed under pressure of emergency or clamor from groups. So far from producing a planned economy the New Deal has produced an economic chaos, with no end in sight. The actual restrictions upon business—as in the securities act, for example—have been severe brakes upon recovery. Even worse is fear of new and worse restraints to come. "You ain't seen nothin' yet," was the recent threat of General Johnson in one of his "cracking-down" moods. No wonder the business man goes slow, much as he would prefer to drive ahead full speed.

There are some encouraging signs that the administration is beginning to realize the obstacles to recovery which its policies maintain. It is good news that General Johnson is inclined to jettison the president's licensing power under Nira. The recasting of the stock exchange act has been in the right direction, but it must go much further if that measure is not to add another very serious obstacle to recovery. The bulk of the threats remain. Since the president has asked for constructive criticism, we present these suggestions for bringing order out of bedlam:

1. A definite announcement by the president that the emergency is over, that there will be no more requests for emergency legislation, written in haste and rushed through Congress without debate.

2. A revision of the securities act which will permit the marketing of long-term securities and thereby make possible a revival of the capital goods industries. The passage of a fair and reasonable stock exchange act to be coupled with this revision, such act to confine itself strictly to the prevention of abuses of speculative practices.

3. A bold surgical operation upon NRA to save what deserves to be preserved from its present hopeless confusion and collapse. Let the mad effort to subject every industry to a code, whether suited to such regulation or not, be frankly ended along with the blue eagle. The policy and the symbol were emergency measures, and as such should be abandoned. Then let codes be developed gradually and calmly by those industries desirous of experimenting with them. In the end real progress in the handling of labor problems and in the healing of sick industries might thus be achieved. Every attempt at price fixing or wage fixing to be officially abandoned.

4. With the abandonment of the shibboleth of planned economy, the need of economic nationalism would disappear. The administration could move toward the cultivation of a reasonable share in foreign markets.

5. No more experiments with the dollar.

6. Abandonment of a policy of spending our way to prosperity and a return to strict economy, with extraordinary federal expenditures confined to the unavoidable requirements of relief during the period of natural recovery.

There are other points to be covered. But we submit these as a beginning. No man can predict the future—least of all, the economic experts, the business future. But what a load of worry and restraint would fall off the shoulders of the American people if the emergency era of experimentation were thus brought to a definite close, its failures abandoned, its inconsistencies ended, and its future turned over to patient fact-finding and careful, considered planning!

### The Military Budget

Does the United States need more military preparation at this time? Should the War Department lobby receive the large appropriations it demands, merely in order to provide positions and promotions for its officers, many of whom cannot go ahead in the service as fast as they would like? Will we benefit from extensive additions to military training units in the high schools? *The Nation* does not think so, and expresses dismay at the action of the Senate:

There are many things that we do not understand about the present Congress, but the most puzzling is the mania for increased armaments. Judging the Senate by its actions, one would think that the country was on the verge of war. Why, for example, should the Senate, after voting the huge naval



PRESS RELEASE (A "FLIMSY")  
—Kirby in N. Y. WORLD-TELEGRAM

program in the Vinson bill, increase the appropriations made by the House for the Reserve Officers' Training Corps by \$1,358,760 to finance the establishment of eighty-five additional junior-high-school military units at \$7,000 per unit, and twenty-two additional senior-college military units at \$33,000 per unit? It then went on to increase the Citizens' Military Training Camps appropriation by \$1,700,000 for training 37,500 cadets next summer instead of the 14,000 contemplated by the House. The Army Appropriation bill, as passed by the House, appropriated for 1935 \$69,000,000 less than the 1934 bill. The Senate restored not less than \$63,826,858—another evidence of the way that Congress refuses to accept the President's economy program. Probably the matter will be settled in conference before this issue of *The Nation* reaches the public, but in any event the people ought to notify such men as Senator Copeland of New York and Senator Sheppard of Texas that they are absolutely opposed to the further building up of the American military machine with its inevitable tendency to thrust us into war.

### No Change Needed

A defense of the American system of representative government as opposed to the parliamentary government of Great Britain is offered by an editorial in the Los Angeles *Post-Record*:

Those political scientists who declare that the United States needs a parliamentary form of government patterned after the English model, with an administration which stands or falls by its success in the House of Representatives, might notice that if such a system were actually in effect, President Roosevelt would now be out of office.

When the House voted the \$2,200,000,000 soldiers' bonus bill the other day, in direct defiance of the White House program, it took a step which under a parliamentary government would have required the immediate resignation of the entire administration.

Under many conditions, of course, that would be an excellent thing. Most Americans, however, will probably conclude that just now a break in the continuity of things at Washington, with the confusion and delay incident to a new national election, might easily prove an exceedingly bad thing.

### Soldiers Know War

Perhaps a "soldiers' parliament" like that which meets in Canada would be a healthy force in the United States. The Jacksonville, Florida, *Journal* comments as follows:

From all over the Dominion, veterans who fought for Canada in the World War go up to Ottawa for a "soldiers' parliament." They have one big motive, the promotion of peace. They speak to the world out of an experience as full, as sacrificial, as heroic as the World War brought to any of its participants, and they say: "We want no more war."

These are the men who endured the mud and blood and filth and vermin. They know the "glories" of war and evaluate them without any false standards.

When such men are out of the list of supporters of war as a means of settling international differences, who are left? None but the stay-at-home flag wavers; the patriots for profit; the enthusiasts for other men's sacrifices.

There should be tremendous authority in the declarations of these men of Canada who out of bitter experience condemn war and implore the nations to join them in making war impossible.

A Minnesota experimenter thinks a family of five can live a week on five dollars. On the following Monday they resume eating.

—Detroit News

Oh yes, lots of people are still playing miniature golf, but they're doing it on the regulation courses.

—Thomaston, Georgia, TIMES

To play the safe side in any next great European conflict, neutrals must arrange to wear plaid shirts.

—Richmond TIMES-DISPATCH

Japan, Great Britain, and the United States are engaged in a warship-building contest. According to the rules of the game, everybody must be as silly as permitted by the treaty.

—The New Yorker

# Historical Background of "Laissez - Faire"

By HAROLD G. MOULTON

DURING recent years we find developing throughout the world a new conception of the part which government should play in stimulating and directing business activities. Everywhere the methods of conducting business operations are being profoundly altered. Business men are in consequence able to enjoy less freedom than was formerly the case in the determination of their policies. The tendency is toward greater social control. New issues of fundamental economic and political importance are being raised by these changes. It is appropriate, therefore, that we should pause for a few moments to consider the forces responsible for the swiftly moving current of events.

## The Historical Background

One can, I believe, best gauge the cause and significance of developments which are now under way by viewing them in historical perspective. It is, of course, a familiar doctrine that history records certain great cycles of movement or change. Sometimes we hear this doctrine expressed in the generalization that "history repeats itself." Without endorsing this oversimplified conception of social evolution, we may nevertheless look backward and survey the road over which organized society has travelled the past three or four centuries. A brief summary will be sufficient to show that there has occurred a great cycle of change in the relation of government to economic activity.

Governmental direction of the industrial forces is not a new thing in the history of the world. In the age of feudalism, all society was organized and directed from above. The system of private enterprise with which we are familiar, under which each individual is free to engage in whatever form of economic activity may seem to him to offer the best opportunity, was unknown. The king was supreme; and through the hierarchy of lords and retainers the entire economic system was organized from the center out. The masses of the people were servants of the lord and king and exchanged fealty and labor for sustenance and protection.

## Rise of Laissez-faire

The centralized control of economic activities continued in modified form under the city-states and emerging national governments which followed the disintegration of feudalism. It was not until about 1750 that the governmental authorities began to relax their hold upon industry in a marked way. Between the years 1750 and 1850, roughly speaking, there occurred in the important nations of the western world a profound transformation in the organization of economic life. Instead of looking to the government as the directing and controlling agency, we came to look to the individual as the true source of power. The theory developed that each individual who pursues his own welfare and happiness is led as by the Divine Hand to promote the welfare of his fellowmen. Since the nation consists of individuals, it would seem to follow that if each individual were left free to develop his own possibilities in fullest measure, the nation as a whole in like measure would become affluent and powerful.

Under the influence of this doctrine, governments came gradually to adopt a hands-off policy with respect to economic activities. Industry and trade were released from a multitude of hampering regulations. National boundaries came largely to be ignored through the removal of barriers and restrictions against the free international movement of trade and currency, and against the migration of people from country to country. Vast new, highly productive areas in different parts of the world were opened up. The corporation was invented as a device for raising capital. A sound monetary system rendered the expansion of business operations on a large scale possible. All these developments led to new opportunities for the expansion of business. These opportunities were seized

by business men and the relation of government to economic activity was regarded in the main as a passive one.

The government has, however, not stepped out of the picture altogether. But for the most part it has stood aside while individuals and corporations have owned and managed business establishments according to their own ideas and plans. This system of free private initiative is sometimes described as a system of *laissez-faire*. The founders of this system—who were the great constructive liberals of their day—thought that they were promoting economic progress and human advancement. It was contended that under this system the development of our resources and the production of wealth would be most

operates in response to the decisions of individual business men in quest of profits to afford continuous employment either to labor or to capital. The highly complex economic system, or machine, as I prefer to call it, runs by fits and starts—now plunging wildly forward, and again stalling and backing, carrying blight and ruin in its path. The individual, however virtuous he may be, finds it impossible to stem the general tide by any acts of his own, and he is swept downstream with the devastating current of depression. Granted that so-called self-corrective or automatic forces will always ultimately bring revival—a debatable assumption—it remains in any event true that the stupendous destruction attending these recurring depre-

may mean government ownership, in others a sort of partnership in operation, and in still others only some form of regulation. But always it means inevitably a lessening of the freedom of the individual business man.

Business men and professional students alike are naturally asking, What are the larger economic and social implications of this ever-increasing influence of government upon business? Will it tend to paralyze initiative and destroy business enterprise? Or may it perchance lead, as millions of people hope and believe, to a better world tomorrow?

## The Ultimate Test

The ultimate test of any system of economics and government is its effects upon the lives of individuals. Will it in the long run generate and strengthen these creative qualities upon which individual and social progress depends, and will the results of progress find the widest possible dissemination among the masses of mankind? So far as our own country is concerned, it is clear to me that, up to the present at least, our government is bearing definitely in mind in practically all of its varied activities the fundamental importance of preserving individual initiative and the spirit of business enterprise. It is clearly not the intention, for example, to abolish the individual farm proprietor, or to eliminate the profit system in industry. Competition in the production of goods and services is not being destroyed; it is merely being placed upon a different plane.

It may be possible to set new boundaries within which private initiative shall operate—by establishing on the one hand minimum standards to which all members of a trade must conform, and, on the other, by preventing the extremes which have so often characterized the system of unrestricted private initiative. All this is still in a state of flux and it is as yet of course impossible to foretell the ultimate effects of present-day policies upon the future organization of business. The primary need for all who believe that the test of any system of government is its ultimate effects upon the initiative and character of individual citizens is to exert all possible influence toward making sure that this fundamental consideration is not lost sight of. If we keep in mind this basic necessity, and work continuously for a wider public understanding of the problems involved in the complex relationship of government and business, we may not only preserve the real virtues of private initiative and competition but at the same time gradually achieve a much more stable and productive governmental and economic system than we have had in the past.

## NEUTRAL RIGHTS

(Concluded from page 3, column 4)

In the last analysis it all boils down to this: Are we going to demand privileges of trade with belligerents in another war? If so we must expect trouble. For, as Mr. Warren says, "if, in the future, we intend to insist on the alleged rights for which we persistently contended from 1914 to 1917, there is little likelihood that we can avoid entering a war, on the one side or the other." We must ask ourselves this question: Is it worth while to risk a war by standing on what we call "honor" and "right"? Are we willing to make sacrifices to remain at peace? The issues at stake have been well summarized by the *Emporia Gazette* in an editorial which offers food for thought:

If we do keep out of war—and we can—we will be paying a terrible price in pride. But are not the lives of our young men and the comfort of future generations who otherwise will groan under debt worth all the costs of swallowing our pride? Why is it so necessary to clank spurs, rattle sabers, wave the flag and talk about our national honor when it means nothing in reality and costs so much in blood and life of youth, and the generations unborn? We are asking you, Mr. Patriot.



THE AGE OF FEUDALISM

The medieval castle typified the feudal system under which economic activity was subjected to centralized authority.

rapidly expanded and that, as a result of competition, the benefits would be disseminated among the masses of the people.

## Present-Day Trends

It is this system of *laissez-faire*, with which we are all too familiar, that is being challenged today by many nations of the world. In certain countries, moreover, there has already been a return to centralized control or industrial planning by the government; and everywhere tendencies in that direction are apparent. It is highly interesting, therefore, to examine the forces or conditions which are responsible for this increasing control of industry by government.

Three major factors have combined to cause this universal drift toward government control. The first arises out of the mere bigness of modern business organizations and the vast power which is thus vested in the hands of a comparatively small number of individuals—individuals who, as recent history so clearly indicates, cannot always be trusted to act with social vision. The abuses which so frequently accompany the possession of great economic power naturally call for legislation designed to protect the public interest.

A second and more powerful factor is the failure of an economic system which

sions has led great numbers of people to look to government control as a means of correction. If the motivation of industrial activity in response to the business decisions of individuals engaged in profit-making activities fails to give even a semblance of general economic stability, why—the question is inevitably raised—should we not ask the government to control the business cycle?

## Business Attitudes

A third influence pressing toward government participation in economic affairs arises from the business community itself. Business groups have long sought government aid in various forms and connections. In normal times such government aid takes mainly the form of protective tariffs and subsidies for the merchant marine, waterways, air transport, etc. But in time of great economic stress the federal government is looked to as a veritable Santa Claus. The government is asked for help by nearly every financially stricken agricultural or business group, as well as to carry the lion's share of the burden of public relief.

All these factors tend irresistibly to enlarge the scope of public activity and also to strengthen the control of government over business enterprise. In some cases it



SUNK WITHOUT WARNING

A British merchantman torpedoed by the Germans during the World War. Loss of American lives through Germany's submarine warfare, and other violations of "neutral rights" contributed heavily to our decision to enter the war. (An illustration from "The First World War," by Laurence Stallings. Simon and Schuster.)

## America's Policy of Neutral Rights

(Concluded from page 1, column 1)

breaches which took place. American financiers and business men, also, who had loaned huge sums to the allies and hardly any to Germany, fearing that a German victory would injure them severely, exerted great pressure upon the president to enter the war on the side of the allies. And perhaps stronger than any of the foregoing reasons was the feeling that if Europe should succumb to German imperialism and militarism, the United States would eventually suffer. It was this feeling which gave rise to the slogan "Save the World for Democracy."

### Neutral Rights

But there was another factor which in reality became the occasion for our going to war. This was the violation of what we held to be our neutral rights by the warring powers. Such rights involved American lives and property on the high seas, and it was largely in their defense that we undertook to fight. We might have been able to stay out of the war had we not insisted upon certain privileges of trade. Both Great Britain and Germany were unwilling to grant these trade privileges. Germany, however, violated them in a more brutal manner than did Britain, and this fact, together with our natural sympathy for the allies, brought on our declaration of war in 1917.

To answer the first of our questions, therefore, (Why did we fight in 1917?) we must see what is meant by neutral rights, and we must inquire into the manner in which they were violated.

When a war is declared the nations are immediately divided into neutrals and belligerents. The neutrals are the nations which remain peaceful, and the belligerents are those which engage in the war. International law gives each class of nations certain rights and certain duties. Neutral nations are required not to take sides in the conflict. They must commit no hostile act against either of the belligerents. If they trade with one side and not with the other, they are not remaining impartial and consequently are not observing a state of neutrality.

On the other hand belligerent nations have the obligation to respect the neutrality of noncombatants. They must not wantonly seize the ships and kill the citizens of peaceful nations. They do, however, have the right to capture contraband goods—munitions and other war materials being shipped to an enemy. This is a legitimate means of self-defense and the citizen of a neutral nation who endeavors to sell contraband to a belligerent must run the risks of capture.

These are the broad rights and duties of neutrals and belligerents. There are

many others, but they are all derived from the specific ones we have mentioned. The one big issue between the two classes of nations is trade. Neutrals claim the right to sell their goods to nations at war. Neutrality laws are mainly laws to regulate such sale.

It is obvious that powerful conflicts of interests must inevitably crop up between neutrals and belligerents. Belligerent A, for example, who is fighting belligerent B, is anxious to keep neutral C from trading with B. And the same is true of B with regard to A. Neither wants the other to be strengthened, and quite naturally does everything in its power to restrict C. Let us see how this worked out during the World War.

### Before 1917

At the outset the United States began to carry on a flourishing trade with both sides, in accordance with its neutral rights. But soon England, by virtue of her advantageous geographical position, was able to blockade Germany. It was a simple matter for her to apprehend American ships as they prepared to enter the English Channel and search them for contraband. This she did with a thoroughness which proved disconcerting both to the United States and to Germany. Instead of being searched at sea, American ships were driven into British ports and there examined. The British also kept adding to the list of goods considered as contraband. They held that modern war required the use of many materials not used in earlier wars, and they included such products as copper, rubber, gasoline and cotton among the contrabands. They even declared that food was of military value to a nation, and treated it as contraband. There was thus hardly anything which could be shipped from the United States to Germany which the British did not consider as contraband and seize.

### The Submarine

And they did not stop at this. They seized cargoes from the United States to other neutral nations such as Sweden, Norway, Denmark and Holland, on the ground that the shipments were ultimately intended for Germany. Also, captains of British merchantmen at sea frequently flew the American flag to deceive German submarines. There were other violations, but we need not consider them here. It is enough to say that America's neutral rights to free trade with belligerents were so violated by Great Britain that for a time there was serious danger of our fighting the British if we fought at all.

But it was not long before Germany began to violate our neutral rights in a fash-

ion which made us forget our grievances against Great Britain. Germany's only weapon against the British blockade was the submarine. No other type of vessel could hope to get out into the open sea by way of the English Channel. Germany, therefore, waged submarine warfare. She began to sink all the enemy ships her submarines could discover, and she pointed out that submarines were incapable of following the usual practice of rescuing passengers and crew of a ship before firing upon it. As the result of this policy many lives were lost at sea and the feelings of Americans were outraged. The climax came on May 7, 1915, when the giant British Cunard liner, *Lusitania*, was sunk off the coast of Ireland. There were 1,924 people aboard the *Lusitania*. Of these, 1,198, including 114 American citizens, were drowned.

The United States protested. President Wilson sent note after note to Germany demanding that such inhuman practices stop. Finally after months of protest, he threatened to sever diplomatic relations with Germany, which, of course, would have meant war. Germany hesitated and promised not to sink merchantmen without warning and without saving human lives unless the ships offered resistance or tried to escape. For nine months—from May 4, 1916 to January 31, 1917—Germany kept to her agreement. But at length she again adopted desperate measures. Our government was warned that unrestricted submarine warfare would be renewed. Two months later we declared war.

This is how we got into the World War. We come now to our second question: Were the conditions which led us into war cured by the defeat of Germany? The answer is that with regard to matters of neutrality we stand today exactly where we stood in 1917. Not one controversy which we had with any belligerent has been settled. The issues regarding submarine warfare and contraband will no doubt flare up again the moment war is declared.

One would hesitate, therefore, to say positively that we can avoid being dragged into another war. It is granted that we know more about the futility of war than we did in 1917. We have had a disastrous experience with the war debts. We know how terrible war can be for a nation. These and other reasons may cause us to hesitate more than ever, but if we insist again upon our conception of neutral rights,

if we see American lives taken and American property destroyed, may not our passions in the end prove stronger than our resolve to remain peaceful? Such a thing happened seventeen years ago, and it may happen again.

### Laws Needed

But is there anything that could be done now which might lessen the danger of our becoming involved in a future European war? Charles Warren, who was assistant attorney general from 1914 to 1917, and who was charged with the duty of enforcing our neutrality laws and obligations, has made a thorough study of the situation and has published his conclusions in the April number of *Foreign Affairs*. He believes that Congress should enact laws restricting the activities of our citizens when war breaks out elsewhere. He thinks that of our own accord we can do much to avoid the danger of being drawn into war. His recommendations touch on some subjects which we have not alluded to in this article, but their relationship to the general question is obvious. Mr. Warren believes that we should adopt these measures now to determine America's program of neutrality if other nations should go to war:

1. Take over control of all high-powered radio stations and prohibit the transmission of secret code messages by wireless and possibly by cable or telegraph. Such communication facilities must not be used in the interests of belligerents.
2. Forbid the sale of arms and munitions to all belligerents. Decide on the kind of goods which constitute "munitions of war" and prevent their sale.
3. If this cannot be done we should at least forbid their shipment in American vessels.
4. Forbid the entrance into our ports or waters of any commercial ship belonging to a belligerent which is armed. Americans should also be forbidden to travel on such ships either as passengers or crew.
5. Forbid entrance into our ports of any ship belonging to a belligerent nation which shall permit the flying of the American flag for purposes of deception.
6. No captured ships should be allowed to enter our ports.
7. Submarines and aircraft of belligerents should be forbidden to enter water or territory over which we have jurisdiction.
8. Belligerent ships which are used as a base for activities against this country—bomb manufacturing and other criminal activities—should either be required to leave our ports or should be taken into custody for the duration of the war or until they desire to leave.
9. Take more stringent measures to prevent the use of our ports as a base of supplies from which food, coal and other articles may be carried out to belligerent ships on the high seas.
10. Merchant ships which are chartered or otherwise officially controlled by belligerent governments should be treated as adjuncts of the belligerent navies and be subject to seizure if they remain in neutral waters longer than the time prescribed by law for belligerent war vessels.
11. Prevent private citizens from participating in loans to belligerent governments.
12. Forbid the assembly in this country and dispatch abroad of belligerent troops. We

(Continued on page 3, column 4)



—Darling in Des Moines REGISTER

A cartoon published in 1915. It takes the attitude that American travellers should not go on the ships of belligerents, that either they should remain at home or go on American vessels.

# The New Deal Under Fire

(Concluded from page 1, column 4)

creation of more purchasing power through the raising of wages, of more purchasing power through the spending of money by the government—through the putting of people to work by the government—the great industrialists looked on with favor. Business was stimulated to a considerable extent and, as thousands of people saw their own establishments and companies edging away a little from the abyss of bankruptcy, they were highly pleased. Even though the administration did some things they did not like, they withheld criticism lest any disturbing element might shake confidence and endanger what appeared to be the slowly developing process of recovery.

Taking advantage of their popularity and their freedom of action, the president and his administration did a number of quite unusual things. They adopted many policies which were very different from those which had become customary in American politics. In many instances they put the government into control of business, in ways which interfered with the freedom of individuals and of corporations. Here are a few of the important innovations:

#### Drastic Changes

Through the administration of the National Recovery Act, the government undertook to regulate the hours of labor in industry and to place a lower limit upon the wages which might be paid to employees. With the reasons for such action we are all familiar. The attempt was being made to increase employment, to increase purchasing power, and to prevent business men who did not wish to fall into line with such efforts from thwarting by unfair competition those who did wish to do so. But this action on the part of the government took away important prerogatives or powers of men and corporations who owned business establishments. So long as the NRA is in effect the owners of industry cannot pay such wages as they see fit and establish such hours as they care to establish. The will of the government prevails in this matter. Not only that, but the government has presumed to tell employers that they may not dismiss workmen because the men belong to labor unions not to the liking of employers. Another of the rights or privileges of owners of industry, therefore, disappears.

The government laid its hands not only upon business men but upon farmers. It is trying to help the farmers, it is true. It is trying to raise their prices by keeping them from producing more than they can sell. In order to do this, the government is deciding how much farmers should produce. In the case of cotton growers, it is compelling them to cut their production down to what the government thinks they should produce. The cotton farmer can no longer decide for himself how many acres he shall put into use. Pressure is brought to bear upon other farmers to heed the wishes of the government in the planting of their fields.

#### Public Utilities

The Roosevelt administration has become active in the field of public utilities. In the Tennessee Valley, it is conducting experiments to see how cheaply electricity can be produced. It is threatening to go into competition with private producers of electricity. The administration has seriously considered projects by which the government may go directly into the work of residential building. The government is buying mortgages owned by private individuals and companies. It is therefore going into the business of lending money to home owners and farmers. The government is buying stock in banks. It is doing this, of course, in order to keep the banks open, but nevertheless it is securing control of them. The government is also as-

suming the responsibility for giving people jobs. It is borrowing billions of dollars in order to find work for those who cannot secure jobs in private industry.

These are but a few of many new activities in which the government is now engaging. When taken altogether, these activities assume considerable proportions. They put new responsibilities on the gov-

first guns in the battle are now being fired. During the last two or three weeks, attacks upon the president's recovery program have been made by representatives of big business, such as Alfred P. Sloan of the General Motors Corporation, General Atterbury of the Pennsylvania Railroad, Myron C. Taylor of the United States Steel Corporation, and Virgil Jordan of the National Indus-

This controversy breaks across party lines. While conservative Republicans are attacking the administration, progressive Republicans, like Senators Norris, La Follette, Johnson and Cutting, though objecting to certain points in the Roosevelt program, are sympathetic with its general features. There is a similar conflict within the Democratic party. Conservatives, such as Senator Glass of Virginia, are as bitter in their attacks upon the so-called New Deal as any Republicans are, while the Democratic progressives are lined up enthusiastically behind the president's policies.

#### Radicalism Charged

The attack which is getting under way against the administration makes use of tactics which have long been the stock in trade of conservatives. It is natural that anyone engaged in a controversy should make the character of his opponent seem as black as possible. Conservatives, accordingly, when they attack the program of liberals, nearly always undertake to make the liberalism of their opponents look like dangerous radicalism. So we are hearing now the familiar charges to the effect that the New Deal, which is a general term used to designate the Roosevelt policies as a whole, is socialistic or even Communistic. For example, the charge has been made frequently and heatedly that the control over agricultural production which is being exerted by the Agricultural Adjustment Administration is a step toward Communism. It is said that the government is getting control of the land and will use that control to socialize land, or make it common property, as it is in Russia.

#### Not Communistic

The candid and fair-minded student of present-day tendencies will necessarily conclude that these rasher charges of the conservatives are without warrant. America may or may not in time go in the direction of Communism. But the legislation thus far adopted by the Roosevelt administration is not Communistic. Mr. Roosevelt and his advisers believe in the system of capitalism. They want the factory or mill owner to remain in the possession of his mill or factory, whereas under Communism the mill or factory would be transferred to the ownership of the government. The president is for a system of private ownership which, he thinks, will make the private owner more secure in the possession of his property than he has been heretofore. He thinks that under the New Deal industrial conditions will be safer and property rights more firmly established. He is not controlling farm production in order that the farmers may lose their property, but merely in order that they may have better prices for their products.

#### The Issue

The issue, then, fairly stated is not between capitalism and Communism. But that does not mean that it is not exceedingly important. The dispute is between those who believe we will be safer and more prosperous if industrial planning and a measure of control is carried on by government officials and those who believe that disorder and disorganization will follow if government leaders, who, they assert, are after all political leaders, attempt to shape the course of industry.

When the arguments of the opposing factions are stripped of demagoguery and sophistry, debate will proceed along such lines as those we have mentioned and it is possible to conduct it on both sides on a high plane. We have had space this week only to picture the main outlines of the controversy. It will, of course, be our business to fill in details as the argument proceeds from week to week and month to month.



© Acme  
THE GOVERNMENT IS EXERCISING A GREATER DEGREE OF INDUSTRIAL CONTROL UNDER THE ROOSEVELT ADMINISTRATION

New government buildings in Washington are filled to overflowing with new federal agencies. Left foreground is the Department of Commerce, where the NRA is housed, and to the right is the new Post Office building.

ernment and they take away correspondingly from the privileges of private owners of business. As we said a while ago, there was not much opposition to this so long as owners of private industry in general felt that they could not stand on their own feet. But now conditions have changed somewhat. While no one believes that we are entirely out of the woods, everyone can see that conditions are not nearly so critical as they were a year ago. Many

trial Conference Board. These men have complained that the policies of the administration in one way or another are retarding recovery. Republican leaders in Congress have assumed a new boldness in their assaults upon the recovery program. Journalists of conservative leanings, such as Mark Sullivan, have pointed out what they consider to be dangerously radical tendencies of the Roosevelt régime, while a prominent educator, Superintendent Wirt



© Rural Life Photos  
THE COTTON INDUSTRY IS TO RECEIVE CLOSER REGULATION THAN ANY SO FAR UNDER THE NEW DEAL

For the first time compulsion has been introduced. The Bankhead bill will force cotton farmers to restrict their output.

people who were thinking of the danger of ruin a year ago are now looking forward to profits such as they were making in 1929. They want to get back to the "good old days." They are afraid that the government is creating conditions which will make a return to the old times impossible. They do not like the restraints which are being imposed upon them. They want to enjoy the old freedom. And so they are beginning to demand that a check be placed upon the measures which are being taken by the administration. The

of the Gary, Indiana, schools, has charged that influential officials in the administration are using their offices to prepare for a Communist revolution. In short, the conservatives, whether they be business men, ever mindful of their profits, or disinterested citizens with no axes to grind but with fears that the New Deal legislation may lead to confusion rather than to progress—conservatives of all types are coming together to form a united front against the liberalism of the Roosevelt administration.



# The National Capital Week by Week



## A Record of the Government in Action



NEWS from the automobile labor front last week was again very disquieting. Since the compromise settlement effected by President Roosevelt, there has been a growing sentiment of dissatisfaction among union workers in the Detroit area and elsewhere. They feel that the manufacturers received much the better of the bargain, and are particularly disappointed in the Automobile Labor Board which was named to handle all the questions in dispute.

### Wolman Board

The first efforts of the board, headed by Dr. Leo Wolman as the impartial member, have admittedly failed. To begin with, Detroit workers were disgruntled by Wolman's decision to pass on the strike problem in the Nash Motor Company plants in Wisconsin, instead of handling first the General Motors and Hudson controversies. The agreement proposed by the board for Nash employees at Kenosha and employees of the Seaman Body Corporation at Milwaukee was rejected. These men voted to continue their strike. The Seaman Corporation manufactures automobile bodies for the Nash plants.

At the same time, a strike was called by laborers at the Motor Products Corporation in Detroit. This company makes small parts for several large Detroit auto factories, and the strike has caused a number of assembly lines to slow down or halt completely. Again the proposal of the Wolman board was rejected, this time by an overwhelming vote. Later, however, the strike was ended when employees received a ten per cent increase in wages.

A meeting of 300 A. F. of L. officials from Detroit, Toledo, Cleveland, Lansing, Flint, Pontiac and Buffalo listened to severe criticism of the board. Speakers charged that Wolman had declined to settle matters of union representation as yet, and had insisted on inquiring into charges of discrimination against union workers as his first move. The A. F. of L. men regard the representation question as of the highest importance, and point out that the period of greatest production and employment will be over soon, perhaps before the board takes steps to determine how the workers are to be represented. They want their union rights to be defined now, so that they may bargain with the employers.

Tool and die makers in sixty-two shops in and around Detroit have voted to strike unless their demands are met. These men are mechanics, performing an essential function in the manufacturing process. They belong to a union called the Mechanics Education Society of America, with a total of 18,000 members. It is an independent union, and is not part of the A. F. of L. Its leader, Matthew Smith, denounced the compromise settlement as soon as the president announced it. The tool and die makers went on strike last fall, after being clearly unable to obtain any satisfactory agreement through the efforts of the Detroit NRA Compliance Board or the National Labor Board.

Their union won the strike. It was the first victory for the workers in an automobile strike in many years, and had an important effect upon the opinions of workers in the industry. The A. F. of L. organizations are new in that field, and unless the Wolman board and the A. F. of L. leaders can perform a few miracles, it is very likely that unrest will grow and the A. F. of L. unions will lose prestige. Washington is growing more anxious about this situation. While no certain predic-

Eagle from those who disobey the codes. The value of that punishment appears to have been overestimated. No one seems to feel that he will be condemned in the eyes of the public if he loses his NRA

symbol. One exception, in which stronger measures were taken after six months of ineffective work by the National Labor Board, was the case of the Weirton Steel Company. The disagreement at Weirton over labor representation has been turned over

obey codes. By its use the president could refuse licenses to those companies which failed to comply with the NRA.

Some time ago Roosevelt told reporters that he would ask Congress to extend the time limit on this clause. Now Johnson has opposed such a request, on the ground that it would open the entire law to amendment by Congress at this session.

The Senate has been working on the revenue bill. This is the regular tax measure, and includes such items as income and inheritance taxes for the fiscal year beginning next July. By a close vote the amendment offered by Senator LaFollette of Wisconsin, to boost the rates on all incomes over \$4,000, was defeated. However, another LaFollette amendment increasing inheritance taxes was accepted.

Also the committee in charge of the bill, headed by Senator Pat Harrison of Mississippi, approved a proposal to add ten per cent to income tax bills for one year. This will be ten per cent of the taxpayer's bill itself, not ten per cent addition on the amount of his income. If a man ordinarily would pay an income tax of \$100, he will pay another ten per cent of that amount, or a total of \$110, under the new provision. That is for one year only, and has yet to be approved by the Senate as a whole. Its passage is likely, however.

### Liberals Want More Taxes

After Senate action the revenue bill will be subject to the wishes of a conference committee of the House and Senate. Then the committee report will be voted upon by both houses. The Senate has added a considerable amount of taxes to those imposed by the House. Senate liberals hope that the conference committee will be able to keep the amendments intact, and secure a favorable vote in the House, in order to meet more emergency expenses.

Harry Hopkins has announced that the Federal Emergency Relief Administration is ready to grant a total of twelve million dollars to seventeen states, for the purpose of keeping rural schools open to the end of their normal terms. Information on the financial condition of local school districts has been compiled by state departments of education, and will be used as a basis for making these federal loans. Alabama schools have been especially hard hit, and the FERA is ready to grant a maximum of \$2,290,000 to that state if necessary.

Last week on this page attention was called to the rumor of an important housing program which might be launched by the federal government. This plan has become a reality. Within the next week the National Emergency Council will have a bill ready for Congress creating a new coordinated agency to promote construction of new homes, and modernization and repairs for old dwellings. More than a billion dollars will be made available if this plan prevails, to give a push to the "heavy" industries, and to improve American housing. The money will be distributed in the form of approved long-term loans to pay the construction bills.



THE AUTOMOBILE MEDIATION BOARD

The group named to solve auto labor disputes. Left to Right: Dr. Leo Wolman, Nicholas Kelley and Richard L. Byrd.

tion may be made just yet, there is every indication that the Roosevelt compromise may not prevent another serious crisis. If that crisis develops, it does not seem probable that a further compromise can be made. It may be that any really final settlement, in the automobile industry or in others such as steel, will have to be definitely one way or the other, for or against company unions, for or against the A. F. of L. and the union shop.

### "Cracking Down" Again

The NRA has turned once more to the problem of code enforcement as its major difficulty. Public hearings and the convention of code authorities in March convinced officials that widespread violations of codes are still occurring, in spite of General Johnson's repeated threats to "crack down on the chiselers." So far the only weapon used to back up his harsh words has been the removal of the Blue

to the Department of Justice for prosecution against the company.

That this method of punishment may not remain exceptional was indicated by an announcement last week that General Johnson had ordered a new drive against code violators. The most flagrant cases will be taken to the federal courts, after the manner of the Weirton example.

### Licensing Power

Meanwhile Johnson has stated that he did not favor asking Congress for an extension of the licensing clause in the NRA law. This section of the act provides that the president may require the issuance of licenses to members of an industry if they do not accept and live up to a code. The power automatically comes to an end June 15. Designed for emergency use, it has never been directly exerted by Mr. Roosevelt, but has been valuable as a suggestion to persuade business men to establish and

## Something to Think About

1. What big issue seems to be developing in American politics? What are some of the evidences that a battle over the president's program is getting under way? Do you agree that this issue is more important than those upon which political campaigns are usually fought out?

2. "The Roosevelt administration has moved definitely away from the old *laissez-faire* ideas and toward a system of social control of industries." Is that statement true? Give instances to support your conclusion.

3. Account for the fact that there was so little opposition to this program during the first year. Account for the opposition now. What are the two classes of opponents? Name the arguments for and against the social control idea. What false issue has been raised by the opposition?

4. What is meant by *laissez-faire* in government? Has it always been the prevailing theory? Account for the recent tendency all over the world to go in the direction of social control.

5. What is the so-called "brain trust"? Do you think the use of this term helps one to understand the influences prevailing in Washington?

6. What reason is there for thinking that if Europe goes to war we may be drawn into it?

7. What do you consider the chief causes of our entrance into the World War? By our

participation in that war did we accomplish any one of these objectives: (a) secure recognition from the other nations of our conception of the rights of neutrals; (b) make the world safe for democracy; (c) create conditions which would prevent future wars; (d) permanently check German expansion and militarism?

8. When we speak of "neutral rights" do we mean legally recognized rights of neutrals or merely privileges which we believe should be extended to neutrals? What steps if any do you think we should take to insure that we will not be drawn into another war over neutral rights, or, on the other hand, do you think we should maintain our position relative to neutral rights even if it gets us into another war?

9. Do you think that the citizens in your community are better informed relative to important problems than those whose views were examined by the *New York Post*? How does ignorance on the part of citizens contribute to inefficient and corrupt government? To what extent may the present distress of millions of people be traced to the political ignorance of citizens?

10. What are you and your school doing to promote better informed citizenship?

REFERENCES: (a) Private Business and Public Opinion. *Scribner's*, February, 1934, pp. 81-87. (b) The Paradox of Economic Planning. *New Outlook*, January, 1934, pp. 29-33. (c) New Deal Danger Points. *Review of Reviews*, April, 1934, pp. 21-24. (d) Troubles of a Neutral. *Foreign Affairs*, April, 1934, pp. 377-394.